

↓ -0.54% *

Butler Credit Opportunities UCITS Fund

Long/Short European Credit

October 2019

Performance Returns

*The Butler Credit Opportunities UCITS Fund (BCO UCITS) returned -0.54% in October (EUR Institutional Class Founder ISIN: IE00BF2CW131 BB Ticker: MLBCEIF).

Investment Objective & Strategy

Butler Credit Opportunities UCITS is a long/short European Credit fund with a long term target to deliver 8-10% annualized returns while maintaining portfolio volatility below 5% over the credit cycle. The BCO UCITS Fund team uses a unique 3 step investment approach placing risk management and preservation of capital at the centre of portfolio management while constantly seeking opportunities to generate superior risk adjusted returns.

- Stage 1: With their long-standing experience in markets, the team recognizes that the portfolio Beta should always reflect the optimal level of risk in order to preserve capital or generate superior Alpha. The BCO UCITS Fund's portfolio managers systematically implement a Top-Down approach in order to determine the optimal level of risk for the portfolio.
- Stage 2: Bottom up focuses on the fundamental analysis of individual securities, assessing key financial parameters for each bond evaluating its potential as a long or short position.
- Stage 3: Portfolio construction determines the capital allocated to each strategy/position taking into account risk, liquidity, volatility, etc.

Monthly Commentary

A general theme for 2019 – gyrations in investors' sentiment – has probably reached its peak in October. The month began with weak economic figures from both the US and Europe, triggering a material weakness in Equity and HY markets, while Govies flirted with records. However, the rest of the month witnessed encouraging newsflows on key geopolitical issues. i) US-China trade discussions (both parties showed a more conciliatory tone) and ii) the never-ending Brexit story (through a new agreement between the UK and the EU, PM Johnson demonstrated political momentum, which translated into a

material upswing in poll numbers). In the €HY market, the month ended with marginal losses overall, but a record number of changes in directions (6 vs. typically 0-2), reflected heightened nervousness. Bs' underperformance accelerated (-0.7%) and the B/BB decompression ratio reached a new high. More generally, companies with sub-par visibility trade at a record discount to more respected peers.

The BCO Fund (EUR Founder class) returned -0.54%. This disappointing figure – in line with the B index, but low vs. wider HY indices returns – comes after 3 months of strong alpha, which exceeded 150bps over Q3. The main culprits for October's slightly negative alpha lie in counter-productive beta management (lowering it in early days of the month) and in 2 sectors, which had behaved quite well in the previous months. Within Corporate & Household services, House of HR (a Belgian recent issuer) and French equipment rental leader Loxam were subject to weakness, due to a deterioration of sentiment about upcoming earnings. In Consumer/Retail, weak results in Hema (a marginal long) triggered a 20 points collapse in Sr bonds, which weighed on the rest of the sector.

Market participants were seemingly worried about early November economic figures. However, these numbers, in particular the US NFP report and Non-Manuf ISM, surprised to the upside which suggests that highly supportive Central banks may well have succeeded in stabilizing the global economy away from recession. While Equity markets have rebounded, reaching new highs in US and Europe, HY markets have been less cheerful. We believe this is because of (i) headwinds on rate markets, which impact long-duration bonds and (ii) a very active primary market, which was also the case in October, tends to weigh on the secondary market. Our take is to slightly increase beta (participation in selected new issues, while pruning some well-priced situations). Overall, we also expect to decrease the share of BBs (often rich, and vulnerable to rate headwinds) and increase that of some unduly cheap Bs, due to benefit from improved economic visibility, at least for the next couple of months.

The Manager



Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly with daily indicative NAVs
Fund AUM	€682.6m
Strategy AUM	€745.0m
Inception	15 th May 2017

Share Class	Institutional Class B Pooled Shares
Currency	EUR/CHF/USD/GBP
Mgt. Fee	1.1%
Perf. Fee	20%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BF2CWF72/MLBCEIB CHF: IE00BF2CWH96/MLBCCIB USD: IE00BF2CWI11/MLBCUIB GBP: IE00BF2CWG89/MLBCGBI

Share Class	Retail Class Pooled Shares
Currency	EUR/CHF/USD/GBP
Mgt. Fee	1.5%
Perf. Fee	20%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BF2CWK26/MLBCERP CHF: E00BF2CWM40/MLBCOCR USD: IE00BF2CWN56/MLBCURP GBP: IE00BF2CWL33/MLBCGRP

Butler Credit UCITS Fund Performance (EUR Institutional Class Founder)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	1.25%	1.16%	0.62%	1.07%	-0.51%	1.00%	0.52%	0.79%	0.20%	-0.54%			5.68%
2018	0.58%	0.16%	-0.22%	1.01%	-0.52%	-0.02%	1.07%	0.17%	0.25%	-0.18%	-0.29%	-0.58%	1.42%
	-	-	-	-	0.73%	-0.29%	0.53%	-0.04%	0.69%	0.91%	-0.60%	-0.18%	1.74%

The performance figures quoted above represent the performance of the Butler Credit Opportunities UCITS Fund since launch on 15th May 2017. These performance figures refer to the past and past performance is not a reliable guide to future performance.

WB Opportunities Fund Ltd Performance Class A2 USD Shares (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2017	0.09%	0.67%	-0.15%	0.88%	-	-	-	-	-	-	-	-	1.50%
2016	-0.38%	-0.97%	2.58%	2.02%	0.37%	-0.80%	1.21%	1.73%	-0.58%	1.01%	0.14%	1.73%	8.28%
2015	0.89%	1.69%	0.24%	0.56%	0.34%	-0.65%	0.16%	-0.78%	-0.46%	1.08%	0.67%	-0.02%	3.76%
2014	0.98%	1.34%	0.91%	1.01%	0.12%	0.81%	-0.65%	0.69%	-1.56%	-0.84%	0.28%	0.29%	3.39%
2013	1.40%	1.26%	0.40%	1.39%	0.23%	-1.14%	1.82%	0.89%	1.62%	2.35%	0.22%	0.96%	11.95%
2012	2.19%	3.02%	1.67%	-0.83%	-0.42%	-0.18%	1.36%	1.34%	1.66%	2.25%	0.99%	2.05%	16.11%
2011	2.40%	2.43%	0.68%	1.43%	0.18%	-0.19%	-0.49%	-0.61%	-0.91%	4.29%	-2.38%	0.81%	7.74%
2010	1.70%	-0.47%	4.35%	2.09%	-0.65%	-0.03%	2.99%	0.51%	2.28%	1.93%	-1.01%	1.66%	16.30%
2009	-	-	-	-	-	-	-	-	-	0.36%	0.78%	2.45%	3.62%

The above performance pertains to the performance since inception of the WB Opportunities Master Fund and is not of the BCO UCITS Fund. UCITS Funds have to abide by certain investment restrictions and consequently the performance of Butler Credit UCITS Fund may not be similar to that presented above. These performance figures refer to the past and past performance is not a reliable guide to the future performance. The WB Opportunities Fund was amalgamated into BCO UCITS Fund on 31.12.2018

Laurent Kenigswald

Managing Director

Laurent Kenigswald has more than 21 years of experience in Credit and 10 years as Economist. He was a senior portfolio manager of Barep Global Credit (BGC), a €500m credit hedge fund. In 2006, BGC was awarded "Best European Multi Strategy Fund" of the year from Hedge Fund Review. Prior to this, Laurent was a credit sell side analyst at Crédit Lyonnais, Natixis and Aurel Leven, managed a portfolio of Brady bonds (Emerging Markets sovereign debt) at BNPParibas and was a senior economist at the Direction de la Prévision in the French Ministry of Economy and Finance.

Olivier de Parcevaux

Director

Olivier de Parcevaux has been a credit portfolio advisor, analyst and manager since 2001. In 2007, he joined Barep Global Credit Fund as a portfolio manager under Laurent Kenigswald leadership. He was responsible for the utilities, energy, chemical, packaging and general industrials sectors. Prior to joining BGC, he was a high yield buy-side analyst for AXA IM and for CDC Ixis and the head office and as a credit sell-side analyst for Credit Lyonnais.

Cyril Furtak

Director

Cyril Furtak has been working with the credit portfolio advisory team since 2003 and as a credit portfolio manager since 2005. In 2003, he joined the Barep Global Credit Fund as a credit portfolio analyst and later he was promoted to portfolio manager and worked under Laurent Kenigswald leadership. Prior to this, Cyril worked at Renault Nissan as a business analyst for the Executive Committee.

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Performance Statistics (since inception)	WBO USD A2 class	BCO EUR Founder class
	Oct 2009 - Dec 2018	May 2017-present
Profitable Months (% total)	70.27%	60.00%
Maximum Drawdown	-2.38%	-1.05%
Months to Recover	4	1
Annualized Return	8.08%	3.58%
Annualized Daily Volatility	3.08%	1.65%
Annualized Monthly Volatility	4.03%	2.04%
Sharpe Ratio - ann. d. volatility	2.58	2.11
Sharpe Ratio - ann. m. volatility	1.97	1.71

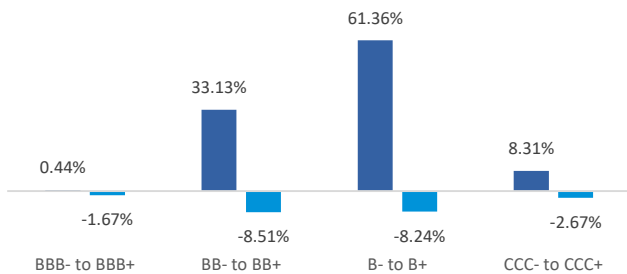
The above performance pertains to the performance since inception of the WB Opportunities Master Fund and is not of the BCO UCITS Fund. UCITS Funds have to abide by certain investment restrictions and consequently the performance of Butler Credit Opportunities UCITS Fund may not be similar to that presented above. These performance figures refer to the past and past performance is not a reliable guide to the future performance. The WB Opportunities Fund was amalgamated into BCO UCITS Fund on 31.12.2018

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Current Butler Credit Opportunities UCITS Fund Portfolio Statistics	
Number of Positions	146
Gross Exposure ¹	177.44%
Net Exposure ²	53.23%
Beta adjusted Net Exposure ³	79.56%
Modified Duration	1.54
YTCensus ⁴	2.56%
Spread Duration	2.04

Butler Credit Opportunities UCITS Fund Current Exposures (% NAV)			
	Long	Short	Net
L/S General	97.54%	-12.77%	84.77%
L/S Relative	8.20%	-8.92%	-0.72%
Spec Sit Credit	0.00%	0.00%	0.00%
Trad /Hedg	9.64%	-40.46%	-30.82%
Total	115.38%	-62.15%	53.23%

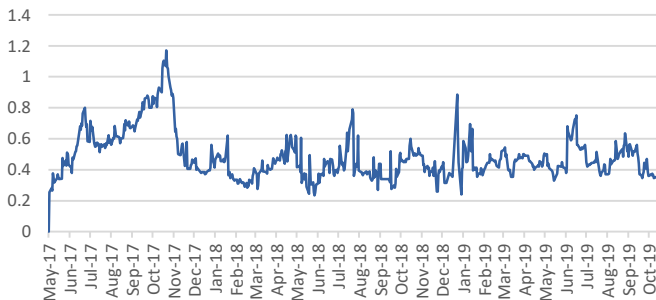
BCO UCITS Fund Current Rating Exposure⁵ (% NAV)



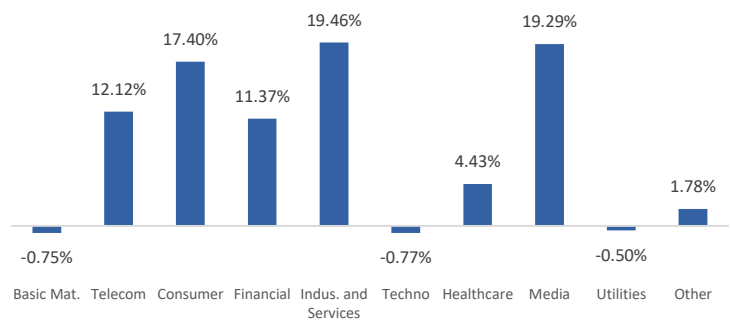
Butler Credit Opportunities Fund Largest Long Strategies (ex. Indexes and Futures) ⁵	
Name	% NAV
SFR	6.46%
ALTICE	4.90%
UNITED GROUP	3.18%
REFRESCO	2.73%
CIRSA FINANCE	2.34%
Total	19.62%

Butler Credit Opportunities Fund Largest Short Strategies (ex. Indexes and Futures) ⁶	
Name	% NAV
ARCELORMITTAL	-1.67%
NEXANS	-1.56%
EUROPCAR	-0.76%
STAPLES	-0.69%
LOUIS DREYFUS	-0.59%
Total	-5.28%

BCO UCITS Fund MC VaR99 5 days (%)



BCO UCITS Fund Sector Net Exposure (% NAV)



¹ Gross Exposure = sum of long and net exposure per share as a percent of NAV
² Net Exposure = difference between long and short exposure per share expressed as a percent of NAV including equity hedges (Index, Futures, Options, etc.)
³ Beta Adjusted Net Exposure = Beta Adjusted Market Value of long positions less Beta adjusted Market Value of short positions expressed as percent of Net Asset Value. Including equity hedges (Index, Futures, Options, etc.)

⁴ The lowest yield to all possible redemption scenarios, except where on a fixed to floating rate security it is the yield to the next call date, or if there is a maturity or call date announced by the entity, the yield to that date.
⁵ Single names only
⁶ Long and Short positions held in the same company or group of companies have been aggregated and/or netted to express BCO's net exposure to them

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